

Portland Public Schools

Portland , Michigan

Annual Financial Statements

and

Auditors' Report

June 30, 2004

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Portland Public Schools
Portland, Michigan
Members of the Board of Education and Administration
June 30, 2004

Members of the Board of Education

TANYA MARCUM	PRESIDENT
ROBERT BALDYGA	VICE – PRESIDENT
MAUREEN WALLACE	SECRETARY
CINDY JOHNSON	TREASURER
M. ELIZABETH CROSS	TRUSTEE
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Administration

CHARLES DUMAS	SUPERINTENDENT
WARD MCGINNIS	DIRECTOR OF OPERATIONS
SCOTT BROWN	DIRECTOR OF FINANCE



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Independent Auditors' Report

To the Board of Education
Portland Public Schools
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland Public School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public School District as of June 30, 2004, and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 on our consideration of the Portland Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Portland Public School District basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
July 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Portland Public Schools, we offer readers of the Portland Public Schools' financial statements this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended, June 30, 2004.

Financial Highlights

- The assets of the Portland Public Schools exceeded its liabilities at the close of the most recent fiscal year by \$2,791,167 (*net assets*).
- The school district's total net assets decreased by \$821,798.
- As of the close of the current fiscal year, the Portland Public Schools' governmental funds reported combined ending fund balances of \$750,241.
- At the end of the current fiscal year, reserved and unreserved fund balance for the general fund was \$469,619, or 3.14% percent of total general fund expenditures and other financing uses.
- The Portland Public Schools' total debt decreased by \$1,598,292 during the current fiscal year. The key factor in this decrease was the ongoing effort to pay down debt acquired from the 1997, 2001 and 2002 Bond Issues.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Portland Public Schools' basic financial statements. The Portland Public Schools' basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the Portland Public Schools' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Portland Public Schools' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Portland Public Schools is improving or deteriorating.

The *statement of activities* presents information showing how the school district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the Portland Public Schools that are principally supported by property taxes, state aid revenues and various revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Examples of these user fees and charges include student activity fees for extracurricular activities, latchkey fees and student lunch fees.

The district-wide financial statements can be found on pages 4-1, 4-2 and 4-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Portland Public Schools, like other

state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Portland Public Schools can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the school district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The reconciliations can be found on pages 4-5 and 4-7 of this report.

The Portland Public Schools maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund and the other governmental funds. Data from the other three governmental funds are combined into a single, aggregated presentation. These three separate governmental funds are the school lunch fund, activities fund and the community services (latchkey) fund. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 6-1 and 6-2 of this report.

The Portland Public Schools adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-4 and 4-6 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the Portland Public Schools' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 4-8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 4-9 through 4-24 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Portland Public Schools' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 5-1 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a school district's financial position. In the case of the Portland Public Schools, assets exceeded liabilities by \$2,791,167 at the close of the most recent fiscal year.

The largest portion of the Portland Public Schools' net assets is the amount invested in capital assets, net of related debt \$3,970,395. The majority of net assets invested in capital assets, net of related debt were acquired through voter approved school building and site general obligation bonds issued by Portland Public Schools. Portland Public Schools received \$27,945,000 for the 2001 bond issue in addition to investment income earned since November 19, 2001. The amount of this bond issue and investment income earned less the amount restricted for capital projects equals the amount of construction related costs incurred before June 30, 2004. The vast majority of these costs incurred are included as Capital Assets within the Summary of Net Assets detailed below.

The most significant portion of the Portland Public Schools' net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Portland Public Schools use these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Portland Public Schools' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets:

The following summarizes the net assets for the fiscal year ended, June 30, 2004

	June 30, 2004	June 30, 2003
Assets		
Current assets	\$ 5,471,969	\$ 16,657,477
Capital assets	49,824,441	38,707,846
Less: Accumulated depreciation	(10,921,126)	(9,544,773)
Capital assets, net book value	38,903,315	29,163,073
Total Assets	<u>\$ 44,375,284</u>	<u>\$ 45,820,550</u>
Liabilities		
Current liabilities	\$ 6,658,801	\$ 7,087,460
Long-term liabilities	34,925,316	35,120,125
Total Liabilities	41,584,117	42,207,585
Net Assets		
Invested in capital assets, net of related debt	3,214,979	4,338,930
Restricted for debt service	-	78,166
Unrestricted	(423,812)	(804,131)
Total Net Assets	<u>2,791,167</u>	<u>3,612,965</u>
Total Liabilities and Net Assets	<u>\$ 44,375,284</u>	<u>\$ 45,820,550</u>

An additional portion of the Portland Public Schools' net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the district's ongoing obligations to citizens and creditors. The negative unrestricted net assets are mainly due to the amounts payable in the future for compensated absences to qualified employees upon his/her termination with the Portland Public Schools'.

District wide activities. District wide activities decreased the Portland Public Schools' net assets by \$821,798.

Results of Operations:

For the fiscal year ended, June 30, 2004, the district wide results of operations were:

Revenues:	June 30, 2004	June 30, 2003
General Revenues		
Property taxes levied for general operations	\$ 756,581	\$ 738,360
Property taxes levied for debt service	1,908,366	1,787,855
State of Michigan unrestricted foundation aid	12,408,015	12,256,164
Interest and investment earnings	57,535	385,235
Other general revenues	161,784	162,193
Total general revenues	15,292,281	15,329,807
Operating grants:		
Instruction	1,698,998	1,431,876
Other operating grants	38,020	35,693
Total operating grants	1,737,018	1,467,569
Charges for services:		
Food service	503,573	453,395
Other charges for services	220,877	216,856
Total charges for services	724,450	670,251
Total revenues	17,753,749	17,467,627
Expenses:		
Instruction	8,707,606	8,854,575
Supporting services	5,203,045	5,036,392
Food service	535,418	489,088
Athletics	452,100	376,560
Community services	104,713	111,391
Intergovernmental payments	320,048	316,299
Interest on long-term debt	1,633,621	1,568,105
Capital outlay (noncapitalized)	97,258	126,056
Other	47,188	581,181
Depreciation - unallocated	1,474,550	705,364
	18,575,547	18,165,011
Increase (decrease) in net assets	(821,798)	(697,384)
Beginning net assets (restated)	3,612,965	4,310,349
Ending net assets	\$ 2,791,167	\$ 3,612,965

State of Michigan Unrestricted Foundation Aid. The State of Michigan aid, unrestricted, is determined with the following variables:

1. State of Michigan State Aid Act per student foundation allowance.
2. Student Enrollment – Blended at 80 percent of current year's fall student count and 20 percent of prior year's winter student count.
3. The Portland Public Schools' non-homestead tax levy.

Per Student, Foundation Allowance. The State of Michigan establishes the per student foundation allowance on an annual basis. The Portland Public Schools' foundation allowance was established at \$6,700 per student for the 2003-2004 and 2002-2003 school years.

In January 2004, the State of Michigan announced that state tax revenues were not meeting expectations. As a result, the foundation allowance for all school districts throughout the State of Michigan was reduced. Portland Public Schools' foundation allowance was reduced by \$74 per student. This \$74 reduction per student decreased expected State Aid revenues by \$153,937 for the 2003-2004 school year.

A similar reduction in State Aid funding occurred during the 2002-2003 school year. In January 2003, the State of Michigan announced that state tax revenues were not meeting expectations. As a result, the foundation allowance for all school districts throughout the State of Michigan was reduced. Portland Public Schools' foundation allowance was reduced by \$67 per student. This \$67 reduction per student decreased expected State Aid revenues by \$135,972 for the 2002-2003 fiscal year.

Student Enrollment. Portland Public Schools' student enrollment for the fall count of 2003-2004 was 2,087 students. Portland Public Schools' enrollment increased slightly from the prior school year's student count. The following summarizes fall student enrollments in the past six years.

School Year	Student FTE
2003 - 2004	2,087
2002 - 2003	2,048
2001 - 2002	2,047
2000 - 2001	1,992
1999 - 2000	2,000

Property taxes levied for general operations (General Fund Non-Homestead Taxes). The Portland Public Schools' levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. The taxable valuation increase for property tax is capped on an annual basis at the rate of the prior year's Consumer Price Index increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is theoretically 50 percent of the property's market value.

The Portland Public Schools' non-homestead property revenue for the 2003-2004 fiscal year was \$756,581. The non-homestead tax levy increased by 28,845 (3.81 percent) over the prior year.

The following summarizes the Portland Public Schools' non-homestead levy the past five years.

Fiscal Year	Non-Homestead Tax Levy	% Increase From Prior Year
2003-2004	\$756,393	3.94%
2002-2003	727,736	7.97
2001-2002	673,992	6.77
2000-2001	631,222	(1.02)
1999-2000	643,600	9.59

Property taxes levied for debt service (Debt Taxes). Portland Public Schools' debt fund levy is used to pay the principal and interest on bond obligations. The tax levy is based on the taxable valuation of all homestead and non-homestead properties. In addition, the Portland Public Schools' collects IFT (Industrial Facilities Taxes) in lieu of taxes that are essentially taxed at 50 percent of the regular tax rate.

The Portland Public Schools' levied 7.35 mills for the fiscal year ended, June 30, 2004. This tax levy generated tax revenue of \$1,908,366.

Fund Financial Analysis

As noted earlier, the Portland Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Portland Public Schools' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Portland Public Schools' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a school district's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Portland Public Schools' governmental funds reported combined ending fund balances of \$750,241. \$426,672 constitutes *unreserved fund balance*, which is available for spending at the school district's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$60,669), 2) to pay debt service (\$181,354), or 3) to complete building construction and purchase necessary equipment (\$81,546).

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents 2.86% percent of total general fund expenditures and other financing uses, while total fund balance represents 3.26% of total general fund expenditures and other financing uses. It is widely recommended that school districts have a fund balance of 15 to 20 percent of their budgeted expenditures and other financing uses. Portland Public School's fund balance percentage is considerably lower than the recommended percentage in addition to being considerably lower than nearby school districts such as Lakewood Public Schools (9.26%), Saranac Public Schools (12.9%) and Ionia Public Schools (22.5%).

The recommended fund balance percentage allows Michigan school districts to avoid borrowing (or to lessen the amount to be borrow) during the two month period between August and October State Aid payments. In addition, a sufficient fund balance allows a school district to more easily absorb cuts in State funding such as those that have occurred in the past two years. A financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year.

The fund balance of the Portland Public Schools' general fund increased by \$238,478 during the 2003-2004 fiscal year. Key factors in this growth are as follows:

- An increase in the student count resulted in an increase of \$6,626 from State of Michigan State Aid revenues.
- Four teachers and seven support staff employees were laid off before the beginning of the 2003-2004 school year in order to realize salary and benefit savings.
- A new county special education millage was approved by voters on March 18, 2003. It allows the county to levy 1.75 mill to all property owners. The county collects the tax and provides it to Ionia County Intermediate School District. Ionia County Intermediate School District distributes a portion of this tax revenue to all public school district within Ionia County. Portland Public Schools' share of this tax revenue for 2003-2004 was \$367,932.

General Fund Budgetary Highlights

General Fund Expenditures Budget vs. Actual Expenditures

	Expenditures	Expenditures	Expenditures	Expenditures Variance Actual & Original	Expenditures Variance Actual & Final Budget
Fiscal Year	Original Budget	Final Budget	Final Actual	Budget	
2003-2004	\$ 14,964,753	\$ 14,996,663	\$ 14,960,295	0.03%	0.25%

General Fund Revenue Budget vs. Actual Revenues

	Revenues	Revenues	Revenues	Revenues Variance Actual & Original	Revenues Variance Actual & Final Budget
Fiscal Year	Original Budget	Final Budget	Final Actual	Budget	
2003-2004	\$ 15,265,050	\$ 15,241,702	\$ 15,198,773	(0.44%)	(0.28%)

Original vs. Final Budget. The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Portland Public Schools amends its budget two times during the school year. For the fiscal year ended, June 30, 2004, the budget was amended in March 2004 and June 2004. The June 2004 budget amendment was the final budget for the fiscal year.

Capital Asset and Debt Administration

Capital assets. The Portland Public Schools' investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$38,903,315 (net of accumulated depreciation). This investment in capital assets included land, buildings and additions, site improvements, equipment and furniture, buses and other vehicles and construction in progress.

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets	\$ 38,707,846	\$ 28,782,799	\$ (17,666,204)	\$ 49,824,441
Less: accumulated depreciation	(9,544,773)	(1,474,550)	98,197	\$ (10,921,126)
Net investment capital outlay	\$ 29,163,073	\$ 27,308,249	\$ (17,568,007)	\$ 38,903,315

In 2001, Portland Public School district voters approved a \$27,945,000 school building and site general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and partially remodeling existing school facilities, constructing a new adult education building and equipping and re-equipping all school facilities. It is expected that the capital project will be complete before the end of the next fiscal year.

Long-term debt. At the end of the current fiscal year, the Portland Public Schools had total bonded debt outstanding of \$32,765,000. The district made principal payments that reduced the amount of the district's long term liabilities as follows:

Bond Issue	Principal Balance June 30, 2003	Principal Payments May 1, 2004	Principal Balance June 30, 2004
1996	\$125,000	\$40,000	\$ 85,000
1997	1,400,000	115,000	1,285,000
2001	26,555,000	695,000	25,860,000
2002	6,135,000	600,000	5,535,000
Total Long Term Bond Obligations	\$34,215,000	\$1,450,000	\$32,765,000

The Portland Public Schools' total bonded debt decreased by \$1,450,000 during the current fiscal year

The Portland Public School maintains a "AAA" rating from Standard & Poor's and Fitch and a "AAA" rating from Moody's for general obligation debt.

Economic Factors and Next Year's Budgets and Rates

1. On March 18 2003, the voters of Ionia County passed a new special education millage that will allow Ionia County to levy 1.75 mill on the taxable valuation of all homestead and non-homestead properties. This will result in new revenues of approximately \$367,932 for the 2003-2004 school year and \$430,000 for each school year after 2003-2004.
2. The \$6,700 foundation allowance per student that was initially to be provided to our school district at the beginning of the 2002-2003 and 2003-2004 school years has again been established as our school district's 2004-2005 foundation allowance. In October 2004, there has already been speculation that state tax revenues will fall short again in the 2004-2005 school year. This may result in reduced State Aid revenues during the 2004-2005 school year.
3. While Portland Public Schools' State Aid revenues will be frozen at last year's foundation allowance per student or possibly lowered, many of the district's expenditures have increased.
 - a. All employees except for the support staff will receive pay increases of 1.4% - 3% for the 2004-2005 school year.
 - b. Health insurance premiums for 2004-2005 have increased 3.47% – 19.85% for the various groups within our district that qualify for health insurance coverage.
4. The September 2004 student FTE count is 2,086. This is a decrease of 1 students compared to the September 2003 student FTE count. If the foundation allowance remains at \$6,700 per student, this will create a decrease of \$6,700 of State Aid revenues for the fiscal year ended, June 30, 2005 compared to fiscal year ended, June 30, 2004.

All of these factors were considered in preparing the Portland Public Schools' budget for the 2005 fiscal year.

Requests for Information.

This financial report is designed to provide a general overview of the Portland Public Schools' finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Portland Public Schools Central Office, 1100 Ionia Road, Portland, MI 48875.

PORTLAND PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2004

	Governmental Activities
<hr/>	
Assets	
Current assets	
Cash	\$ 2,999,137
Accounts receivable	46,192
Due from other governmental units	2,358,748
Inventory	7,223
Other current assets	<u>60,669</u>
Total current assets	<u>5,471,969</u>
Noncurrent assets	
Capital assets	
Land	77,000
Buildings and additions	39,550,359
Site improvements	1,830,850
Equipment and furniture	6,064,796
Buses and other vehicles	1,625,952
Construction in progress	675,484
Less: accumulated depreciation	<u>(10,921,126)</u>
Total noncurrent assets	<u>38,903,315</u>
Total assets	<u>44,375,284</u>

See Accompanying Notes to Financial Statements

PORTLAND PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2004

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 788,485
Retainage payable	675,484
Due to other governmental units	26,602
State aid anticipation note payable	2,000,000
Bonds payable - current portion	1,465,000
Loans payable - current portion	107,216
Accrued interest	364,857
Accrued FICA and retirement	177,197
Accrued expenditures and payroll related accrued liabilities	48,076
Accrued salaries payable	865,042
Deferred revenue	140,842
Total current liabilities	6,658,801
Noncurrent liabilities	
Compensated absences payable	807,582
Bonds payable - long-term portion	31,463,605
School bond loan - long-term portion	2,510,862
Loans payable - long-term portion	143,267
Total noncurrent liabilities	34,925,316
Total liabilities	41,584,117
Net Assets	
Invested in capital assets, net of related debt	3,214,979
Unrestricted	(423,812)
Total net assets	\$ 2,791,167

See Accompanying Notes to Financial Statements

Portland Public Schools
Statement of Activities
Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Functions/Programs					
Governmental activities					
Instruction	\$ 8,707,606	\$ 27,242	\$ 1,698,998	\$ -	\$ (6,981,366)
Supporting services	5,203,045	-	-	-	(5,203,045)
Food services	535,418	503,573	38,020	-	6,175
Athletics	452,100	80,639	-	-	(371,461)
Community services	104,713	112,996	-	-	8,283
Intergovernmental payments	320,048				(320,048)
Interest on long-term debt	1,633,621	-	-	-	(1,633,621)
Capital outlay (noncapitalized)	97,258	-	-	-	(97,258)
Other transactions	47,188	-	-	-	(47,188)
Depreciation - unallocated	1,474,550	-	-	-	(1,474,550)
Total governmental activities	<u>\$ 18,575,547</u>	<u>\$ 724,450</u>	<u>\$ 1,737,018</u>	<u>\$ -</u>	(16,114,079)
General revenues					
Property taxes, levied for general purposes					756,581
Property taxes, levied for debt service					1,908,366
State aid - unrestricted					12,408,015
Interest and investment earnings					57,535
Other					<u>161,784</u>
Total general revenues					<u>15,292,281</u>
Change in net assets					(821,798)
Net assets - beginning (restated)					<u>3,612,965</u>
Net assets - ending					<u>\$ 2,791,167</u>

See Accompanying Notes to Financial Statements

Portland Public Schools
Balance Sheet - Governmental Funds
June 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,538,769	\$ 1,279,059	\$ 181,309	\$ 2,999,137
Accounts receivable	40,550	3,600	2,042	46,192
Due from other funds	-	82,072	4,868	86,940
Due from other governmental units	2,355,389	-	3,359	2,358,748
Inventory	-	-	7,223	7,223
Prepaid expenditures	60,669	-	-	60,669
	<u>3,995,377</u>	<u>1,364,731</u>	<u>198,801</u>	<u>5,558,909</u>
Total assets	\$	\$	\$	\$
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 171,015	\$ 607,701	\$ 9,769	\$ 788,485
Retainage payable	-	675,484	-	675,484
State aid anticipation note payable	2,000,000	-	-	2,000,000
Due to other funds	84,130	-	2,810	86,940
Due to other governmental units	26,602	-	-	26,602
Payroll deductions and withholdings and payroll related accrued liabilities	48,076	-	-	48,076
Accrued salaries payable	861,007	-	4,035	865,042
Accrued FICA and retirement	176,364	-	833	177,197
Deferred revenue	140,842	-	-	140,842
	<u>3,508,036</u>	<u>1,283,185</u>	<u>17,447</u>	<u>4,808,668</u>
Total liabilities				
Fund Balance				
Reserved for prepaid expenses	60,669	-	-	60,669
Reserved for debt service	-	-	181,354	181,354
Reserved for capital projects	-	81,546	-	81,546
Other undesignated	426,672	-	-	426,672
	<u>487,341</u>	<u>81,546</u>	<u>181,354</u>	<u>750,241</u>
Total fund balance				
Total liabilities and fund balance	\$ 3,995,377	\$ 1,364,731	\$ 198,801	\$ 5,558,909

See Accompanying Notes to Financial Statements

Portland Public Schools
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds \$ 750,241

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$ 77,000	
Buildings and additions	39,550,359	
Site improvements	1,830,850	
Equipment and furniture	6,064,796	
Buses and other vehicles	1,625,952	
Construction in progress	675,484	
Less: accumulated depreciation	<u>(10,921,126)</u>	38,903,315

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Current-term liabilities balances as of June 30, 2004 are as follows:

Accrued interest payable	(364,857)	
Bonds payable - current portion	(1,465,000)	
Loans payable - current portion	<u>(107,216)</u>	(1,937,073)

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities balances as of June 30, 2004 are as follows:

Accrued compensated absences	(807,582)	
Bonds payable	(31,463,605)	
School bond loan	(2,510,862)	
Loans payable	<u>(143,267)</u>	<u>(34,925,316)</u>

Net assets of governmental activities **\$ 2,791,167**

See Accompanying Notes to Financial Statements

Portland Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 952,751	\$ 51,361	\$ 2,502,108	\$ 3,506,220
State sources	13,303,946	-	23,304	13,327,250
Federal sources	273,927	-	119,936	393,863
Interdistrict sources	547,416	-	-	547,416
Total revenues	15,078,040	51,361	2,645,348	17,774,749
Expenditures				
Current				
Education				
Instruction	8,682,021	-	-	8,682,021
Supporting services	5,190,252	-	-	5,190,252
Food services	-	-	535,418	535,418
Athletics	-	-	452,100	452,100
Community services	-	-	104,713	104,713
Intergovernmental payments	320,048	-	-	320,048
Capital outlay	214,573	10,917,105	23,592	11,155,270
Capital projects	-	177,780	-	177,780
Debt service	115,792	-	3,028,734	3,144,526
Total expenditures	14,522,686	11,094,885	4,144,557	29,762,128
Excess (deficiency) of revenues over expenditures	555,354	(11,043,524)	(1,499,209)	(11,987,379)
Other financing sources (uses)				
Loan proceeds	110,907	-	1,221,802	1,332,709
Payment to bond refunding escrow agent	(47,188)	-	-	(47,188)
Transfers in	9,826	-	390,421	400,247
Transfers out	(390,421)	-	(9,826)	(400,247)
Total other financing sources and uses	(316,876)	-	1,602,397	1,285,521
Net change in fund balance	238,478	(11,043,524)	103,188	(10,701,858)
Fund balance - beginning	248,863	11,125,070	78,166	11,452,099
Fund balance - ending	\$ 487,341	\$ 81,546	\$ 181,354	\$ 750,241

See Accompanying Notes to Financial Statements

Portland Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (10,701,858)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,474,550)	
Capitalized - capital outlay	11,235,792	
Loss on disposal of capital assets	<u>(21,000)</u>	9,740,242

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund
balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the
statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the
liability in the statement of net assets.

Debt issued	(1,332,709)	
Repayments of long-term debt	<u>1,565,792</u>	233,083

Some expenses reported in the statement of activities do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds.

Change in retirement incentives	32,500	
Change in compensated absences payable	(70,878)	
Change in accrued interest on bonds	<u>(54,887)</u>	<u>(93,265)</u>

Change in net assets of governmental activities **\$ (821,798)**

Portland Public Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2004

	Agency Funds
Assets	
Cash	\$ <u>121,931</u>
Liabilities	
Due to student activities	\$ <u>121,931</u>

See Accompanying Notes to Financial Statements

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Portland Public School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. The annual operating surplus or deficit generated by these activities is generally transferred to or from the General Fund.

Debt Service Fund – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Assets, Liabilities and Equity

Deposits – Cash and cash equivalents include cash on hand, demand deposits and short term investments with a maturity of three months or less when acquired.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2004, the General Fund rate was 17.7046 per \$1,000 of non-homestead assessed value.

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 90% of the School District's tax roll lies within the City of Portland and the Townships of Danby and Portland.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Ionia and Clinton and are remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences

Sick days are earned by most employees at the rate of eleven days per year. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum of 120 days. This liability is measured using the Termination Method. The entire vested amount is considered long-term as the amount

Portland Public Schools
Notes to Financial Statements
June 30, 2004

expended each year is expected to be offset by sick time earned for the year. Vacation days may only be used for vacation purposes. There is no contractual provision for payment of unused vacation days.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Economic Dependency

The School District received approximately 94% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations

Approximately 99% of the School District's employees work under collective bargaining agreements. Unions whose existing agreements will expire in fiscal year 2004-05 represent approximately 80% of these employees.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

During the year ended June 30, 2004, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Total Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Basic	\$ 6,943,435	\$ 6,948,543	\$ 5,108
Supporting Services			
Instructional staff	747,557	773,963	26,406
Business	257,473	275,544	18,071
Special Revenue Funds			
Food service	505,491	541,593	36,102

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2001 Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2001</u>
Revenues	\$ 28,924,233
Expenditures	28,733,457

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

At June 30, 2004, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 2,999,137	\$ 121,931	\$ 3,121,068

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 3,119,913
Petty cash and cash on hand	<u>1,155</u>
Total	<u>\$ 3,121,068</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$3,423,188 of which \$ 322,204 is covered by federal depository insurance.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Assets not being depreciated				
Land	\$ 77,000	\$ -	\$ -	\$ 77,000
Construction in progress	17,547,007	675,484	(17,547,007)	675,484
Other capital assets				
Site improvements	904,916	925,934	-	1,830,850
Buildings and improvements	14,585,589	25,034,770	(70,000)	39,550,359
Buses and other vehicles	1,534,242	140,907	(49,197)	1,625,952
Furniture and equipment	<u>4,059,092</u>	<u>2,005,704</u>	<u>-</u>	<u>6,064,796</u>
Subtotal	<u>38,707,846</u>	<u>28,782,799</u>	<u>(17,666,204)</u>	<u>49,824,441</u>
Accumulated depreciation				
Site improvements	626,639	71,102	-	697,741
Buildings and improvements	5,264,210	787,949	(49,000)	6,003,159
Buses and other vehicles	956,659	124,547	(49,197)	1,032,009
Furniture and equipment	<u>2,697,265</u>	<u>490,952</u>	<u>-</u>	<u>3,188,217</u>
Subtotal	<u>9,544,773</u>	<u>1,474,550</u>	<u>(98,197)</u>	<u>10,921,126</u>
Net capital assets	<u>\$ 29,163,073</u>	<u>\$ 27,308,249</u>	<u>\$ (17,568,007)</u>	<u>\$ 38,903,315</u>

Depreciation for the fiscal year ended June 30, 2004, amounted to \$1,474,550. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at June 30, 2004, were:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
General Fund	\$ -	\$ 84,130	Reimbursement of District expenditures paid by other funds, transfer of monies to the public improvement fund and pooling of cash for investment purposes.
Athletics Fund	2,455	-	Reimbursement of District expenditures paid by other funds
Capital Projects	82,072	-	Reimbursement of District expenditures paid by other funds
Food Service	-	2,810	Reimbursement of District expenditures paid by other funds
Community Service	2,413	-	Reimbursement of District expenditures paid by other funds
	<u>\$ 86,940</u>	<u>\$ 86,940</u>	

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 390,421	\$ 9,826
Athletic Fund	-	390,421
Community Service Fund	8,283	-
Food Service fund	<u>1,543</u>	<u>-</u>
Total	<u>\$ 400,247</u>	<u>\$ 400,247</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ -	\$ 140,842
Total	<u>\$ -</u>	<u>\$ 140,842</u>

NOTE 7 - STATE AID ANTICIPATION NOTE

The District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 2,200,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,000,000</u>

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 34,215,000		\$ 1,450,000	\$ 32,765,000	\$ 1,465,000
Contracts payable	255,368	110,907	115,792	250,483	107,216
School Bond Loan Fund	1,289,060	1,221,802		2,510,862	-
Durant Bond	163,605	-	-	163,605	-
Compensated absences	736,704	70,878		807,582	
Retirement benefits	32,500	-	32,500	-	-
Total	<u>\$ 36,692,237</u>	<u>\$ 1,403,587</u>	<u>\$ 1,598,292</u>	<u>\$ 36,497,532</u>	<u>\$ 1,572,216</u>

General obligation bonds payable at June 30, 2004, consists of the following:

\$6,700,000 building and site bond due in annual installments of \$615,000 through May 1, 2013, interest at 3.50% to 5.00%	5,535,000
\$27,945,000 building and site bond due in annual installments of \$695,000 to \$1,225,000 through May 1, 2029, interest at 3.00% to 5.50%	25,860,000
\$1,865,000 building and site bond due in annual installments of \$115,000 to \$120,000 through May 1, 2015, interest at 4.50% to 5.15%	1,285,000
\$330,000 energy conservation improvement bond due in annual installments of \$40,000 to \$45,000 through May 1, 2006, interest at 5.75%	<u>85,000</u>
Total general obligation bonded debt	<u>\$ 32,765,000</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Future principal and interest requirements for bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 1,465,000	\$ 1,578,292	\$ 3,043,292
2006	1,470,000	1,528,440	2,998,440
2007	1,425,000	1,471,296	2,896,296
2008	1,425,000	1,413,604	2,838,604
2009	1,425,000	1,354,322	2,779,322
2010-2014	7,190,000	5,813,004	13,003,004
2015-2019	6,115,000	4,061,706	10,176,706
2020-2024	6,125,000	2,450,000	8,575,000
2024-2029	6,125,000	918,750	7,043,750
	<u>\$ 32,765,000</u>	<u>\$ 20,589,414</u>	<u>\$ 53,354,414</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2004, the fund had a balance of \$181,309 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$256,087 Durant Refunding serial bonds due in
annual installments through 5/15/2013; interest at 4.76% \$ 163,605
due annually

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
2006	\$ 12,395	\$ 5,588	\$ 17,983
2007	12,983	4,997	17,980
2008	13,604	4,380	17,984
2009	60,502	24,362	84,864
2010	14,930	3,053	17,983
2011-2013	49,191	4,756	53,947
	<u>\$ 163,605</u>	<u>\$ 47,136</u>	<u>\$ 210,741</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Energy Conservation Improvement Bonds

The 1996 Energy Conservation Improvement Bonds are due May 1, 2006. The bonds are issued under the Qualified Zone Academy Bond program. Interest is eliminated through a tax credit.

State School Bond Loan

The state school bond loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$ 1,221,802 and had an outstanding balance of \$ 1,289,060, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at June 30, 2004, consists of \$ 2,806 of vacation hours earned and vested and \$ 804,776 in accrued sick time benefits.

Contracts

Contracts payable at June 30, 2004 consists of the following:

\$191,321 bus contracts due in annual installments of \$23,009 to \$24,157 through October 23, 2005, interest at 4.99%	\$ 47,166
\$255,000 bus garage contract due in annual installments of \$30,000 to \$35,000 through May 1, 2006, interest at 5.85%	65,000
\$101,468 bus contract due in annual installments of \$27,410 through July 14, 2004, interest at 5.65%	27,410
\$110,907 bus contract due in annual installments of \$26,797 to \$28,842 through July 15, 2007, interest at 2.90%	<u>110,907</u>
Total contracts payable	<u>\$ 250,483</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Future principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 107,216	\$ 10,595	\$ 117,811
2006	86,396	5,692	92,088
2007	28,029	1,649	29,678
2008	<u>28,842</u>	<u>836</u>	<u>29,678</u>
	<u>\$ 250,483</u>	<u>\$ 18,772</u>	<u>\$ 269,255</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had \$24,054 of unemployment compensation expense for the year ended June 30, 2004.

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2004.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
800-381-5111

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2001 through June 30, 2004.

	<u>Year Ended June 30.</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Funding Percentage Range	12.99%	12.17%-12.99%	12.16-12.17%
Total school, payroll	\$ 8,283,173	\$ 8,466,884	\$ 8,446,603
Total covered payroll	7,788,139	8,103,231	7,990,327
School contributions	1,075,985	1,108,885	1,027,107
Employee MIP contributions	252,861	255,591	255,652
Tax deferred payment program			
Portion of school contribution covering health, dental and vision benefits	47%	47%	46%

Trend Information

Ten-year historical trend information is presented in the September 30, 2003, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2002, the latest date for which information is available, approximates \$ 42 billion and \$ 38.4 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPERS was less than 1% for the year ended September 30, 2003.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2003, statewide expenditures of \$ 606.7 million were recognized for post-retirement health care, dental and vision. This represented approximately 21% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 11 -DEFERRED COMPENSATION PLAN

On December 11, 1979, the School District established a deferred compensation plan for its employees, under Section 457 of the Internal Revenue Code. A local credit union was selected as the third party administrator of the plan. On March 8, 1983 the plan was terminate and future employee contributions were disallowed. Interest will continue to accrue on the balances which existed at that point, until the funds are withdrawn upon an employee's separation from service, occurrence of an unforeseeable emergency, or the death of an employee.

NOTE 12 -FUND EQUITY

Specific reservations on fund equity include:

Reserved for debt retirement – This reserve was created to segregate a portion of the fund balance account for debt retirement, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserved for capital expenditures – This reserve was created to indicate that the portion of fund balance represented by capital improvements is not available for appropriation and expenditure.

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

NOTE 13 -CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2004.

Portland Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 14 - SUBSEQUENT EVENT

Subsequent to June 30, 2004, the School District has paid the balance of the \$2,000,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2003 and has subsequently borrowed \$2,250,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August of 2004.

On July 21, 2004 the Board of Education passed a resolution authorizing the School District to borrow \$109,555 to purchase two new buses. The loan is payable in annual installments of \$ 26,167 to \$ 28,674 through July 1, 2008, with interest of 3.15%.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The June 30, 2003 financial statements did not include \$ 1,315,240 of the School Bond Loan Fund debt. This omission caused net assets to be overstated by \$ 1,315,240 and liabilities to be understated by this same amount. The net assets at July 1, 2003 were restated to account for \$1,057,849 in capital assets that were not charged to capital outlay in prior years. This caused net assets to be understated by \$1,057,849, and capital assets to be understated by the same amount.

Net Assets - Beginning of year		\$ 3,870,356
Change for debt	(1,315,240)	
Change for fixed assets	<u>1,057,849</u>	
Net effect		<u>(257,391)</u>
Net Assets - Beginning of year (restated)		<u><u>\$ 3,612,965</u></u>

Portland Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local	\$ 943,750	\$ 956,397	\$ 952,751	\$ (3,646)
State	13,321,000	13,300,784	13,303,946	3,162
Federal	356,300	302,240	273,927	(28,313)
Interdistrict	532,000	563,837	547,416	(16,421)
Total revenues	15,153,050	15,123,257	15,078,040	(45,217)
Other financing sources	112,000	118,444	120,733	2,289
Total revenues and other sources	15,265,050	15,241,702	15,198,773	(42,929)
Expenditures				
Instruction				
Basic programs	7,001,175	6,943,435	6,948,543	5,108
Added needs	1,676,486	1,583,761	1,576,228	(7,533)
Adult and continuing education	131,172	161,412	157,250	(4,162)
Supporting services				
Pupil	539,678	531,882	527,896	(3,986)
Instructional staff	709,662	747,557	773,963	26,406
General administration	261,807	259,068	257,366	(1,702)
School administration	1,041,136	1,056,009	1,037,069	(18,940)
Business	308,093	257,473	275,544	18,071
Operations and maintenance	1,312,893	1,354,981	1,329,753	(25,228)
Pupil transportation	1,196,106	1,011,926	988,661	(23,265)
Capital outlay	-	214,874	214,573	(301)
Intergovernmental payments	340,000	320,048	320,048	-
Debt service	155,840	115,840	115,792	(48)
Total expenditures	14,674,048	14,558,266	14,522,686	(35,580)
Other financing uses	290,705	438,397	437,609	(788)
Total expenditures and other uses	14,964,753	14,996,663	14,960,295	(36,368)
Net change in fund balance	300,297	245,039	238,478	(6,560)
Fund balance - beginning	248,863	248,863	248,863	-
Fund balance - ending	\$ 549,160	\$ 493,902	\$ 487,341	\$ (6,560)

Portland Public Schools
Other Supplemental Information
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2004

	Nonmajor Special Revenue Funds			Nonmajor	Total
	Community Services	Athletics	Food Service	Debt Funds	Nonmajor Governmental Funds
Assets					
Cash	\$ -	\$ -	\$ -	\$ 181,309	\$ 181,309
Accounts receivable	-	-	1,997	45	2,042
Due from other funds	2,413	2,455	-	-	4,868
Due from other governmental units	-	-	3,359	-	3,359
Inventory	-	-	7,223	-	7,223
Total assets	<u>\$ 2,413</u>	<u>\$ 2,455</u>	<u>\$ 12,579</u>	<u>\$ 181,354</u>	<u>\$ 198,801</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 9,769	\$ -	\$ 9,769
Due to other funds	-	-	2,810	-	2,810
Salaries payable	2,000	2,035	-	-	4,035
Accrued FICA and retirement	<u>413</u>	<u>420</u>	<u>-</u>	<u>-</u>	<u>833</u>
Total liabilities	<u>2,413</u>	<u>2,455</u>	<u>12,579</u>	<u>-</u>	<u>17,447</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,354</u>	<u>181,354</u>
Total liabilities and fund balance	<u>\$ 2,413</u>	<u>\$ 2,455</u>	<u>\$ 12,579</u>	<u>\$ 181,354</u>	<u>\$ 198,801</u>

Portland Public Schools
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds
Year Ended June 30, 2004

	Nonmajor Special Revenue Funds			Nonmajor Debt Fund	Total Nonmajor Governmental Funds
	Community Services	Athletics	Food Service		
Revenues					
Local	\$ 112,996	\$ 80,639	\$ 398,353	\$ 1,910,120	\$ 2,502,108
State	-	-	23,304	-	23,304
Federal	-	-	119,936	-	119,936
Total revenues	<u>112,996</u>	<u>80,639</u>	<u>541,593</u>	<u>1,910,120</u>	<u>2,645,348</u>
Other Financing Sources					
Loan proceeds	-	-	-	1,221,802	1,221,802
Transfers from general fund	-	390,421	-	-	390,421
Total other financing sources	<u>-</u>	<u>390,421</u>	<u>-</u>	<u>1,221,802</u>	<u>1,612,223</u>
Total revenues and other sources	<u>112,996</u>	<u>471,060</u>	<u>541,593</u>	<u>3,131,922</u>	<u>4,257,571</u>
Expenditures					
Food services	-	-	535,418	-	535,418
Athletics	-	452,100	-	-	452,100
Community services	104,713	-	-	-	104,713
Debt service	-	-	-	3,028,734	3,028,734
Capital outlay	-	18,960	4,632	-	23,592
Total expenditures	<u>104,713</u>	<u>471,060</u>	<u>540,050</u>	<u>3,028,734</u>	<u>4,144,557</u>
Other Financing Uses					
Transfers to general fund	<u>8,283</u>	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>9,826</u>
Total other financing uses	<u>8,283</u>	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>9,826</u>
Total expenditures and other financing uses	<u>112,996</u>	<u>471,060</u>	<u>541,593</u>	<u>3,028,734</u>	<u>4,154,383</u>
Net change in fund balance	-	-	-	103,188	103,188
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,166</u>	<u>78,166</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 181,354</u>	<u>\$ 181,354</u>

Portland Public Schools
General Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 1,538,769	\$ 859,423
Accounts receivable	40,550	77,109
Due from other funds	-	12,408
Due from other governmental units	2,355,389	2,413,827
Prepaid expenses	<u>60,669</u>	<u>57,125</u>
Total Assets	<u><u>\$ 3,995,377</u></u>	<u><u>\$ 3,419,892</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 171,015	\$ 208,804
Note payable	2,000,000	2,200,000
Due to other funds	84,130	2,274
Due to other governmental units	26,602	-
Salaries payable	861,007	628,783
Accrued expenses	48,076	2,683
Accrued FICA and retirement	176,364	-
Deferred revenue	<u>140,842</u>	<u>128,485</u>
Total liabilities	<u>3,508,036</u>	<u>3,171,029</u>
Fund Balance		
Reserved for prepaid expenses	60,669	57,125
Unreserved	<u>426,672</u>	<u>191,738</u>
Total fund balance	<u>487,341</u>	<u>248,863</u>
Total Liabilities and Fund Balance	<u><u>\$ 3,995,377</u></u>	<u><u>\$ 3,419,892</u></u>

Portland Public Schools
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004		2003	
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue From Local Sources				
Property tax levy	\$ 770,200	\$ 756,581	\$ (13,619)	\$ 738,360
Transportation fees	13,500	15,588	2,088	17,602
Earnings from investments	4,600	4,422	(178)	7,860
Rental of school property	4,500	5,308	808	4,977
Other local revenue	163,597	170,852	7,255	167,154
Total revenue from local sources	956,397	952,751	(3,646)	935,953
Revenue From State Sources				
Grants - unrestricted				
State school aid	12,409,241	12,408,015	(1,226)	12,256,164
Grants - restricted				
At risk	84,667	89,134	4,467	114,865
Early childhood	36,300	36,300	-	36,300
Special education	740,120	740,120	-	698,490
Drivers education	18,645	18,276	(369)	15,266
Adult education	11,811	12,101	290	34,781
Gifted and talented	-	-	-	4,719
Total revenue from state sources	13,300,784	13,303,946	3,162	13,160,585
Revenue From Federal Sources				
Grants - restricted - received through state				
Title I	208,270	193,837	(14,433)	241,762
Title V	1,911	907	(1,004)	1,708
Improving teaching quality/Title II	92,059	79,183	(12,876)	59,363
Total revenues from federal sources	302,240	273,927	(28,313)	302,833
Received From Intermediate Sources				
Special education	536,471	521,308	(15,163)	101,251
Vocational education	-	-	(15,163)	101,420
Career and technical	-	-	-	14,897
Other	27,366	26,108	(1,258)	22,319
Total intermediate sources	563,837	547,416	(31,584)	239,887
Other Financing Sources				
Loan proceeds	110,907	110,907	-	-
Transfers from other funds	7,537	9,826	2,289	1,713
Total other financing sources	118,444	120,733	2,289	1,713
Total Revenues and Other Financing Sources	\$ 15,241,702	\$ 15,198,773	\$ (58,092)	\$ 14,640,971

Portland Public Schools
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Final Budget	Actual	Over (Under) Budget	Total
Instruction				
Basic programs				
Elementary				
Salaries	\$ 2,234,518	2,246,619	\$ 12,101	\$ 2,185,456
Employee benefits	1,046,709	1,048,538	1,829	943,951
Purchased services	4,100	4,302	202	36,439
Supplies	43,475	46,120	2,645	38,354
Other	3,605	3,306	(299)	1,362
Total elementary	3,332,407	3,348,885	16,478	3,205,562
Middle school				
Salaries	1,098,982	1,098,995	13	1,067,759
Employee benefits	505,384	498,548	(6,836)	506,549
Purchased services	550	1,012	462	4,444
Supplies	44,600	44,827	227	19,727
Other	1,815	1,815	-	379
Total middle school	1,651,331	1,645,197	(6,134)	1,598,858
High school				
Salaries	1,307,400	1,307,619	219	1,340,064
Employee benefits	591,847	593,107	1,260	708,171
Purchased services	22,800	22,696	(104)	12,017
Supplies	34,150	27,965	(6,185)	30,594
Other	3,500	3,074	(426)	3,652
Total high school	1,959,697	1,954,461	(5,236)	2,094,498
Added needs				
Special education				
Salaries	902,150	902,031	(119)	949,313
Employee benefits	391,419	389,004	(2,415)	383,562
Purchased services	1,650	613	(1,037)	1,926
Supplies	6,550	6,918	368	9,320
Other	450	-	(450)	377
Total special education	1,302,219	1,298,566	(3,653)	1,344,498

Portland Public Schools
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Final Budget	Actual	Over (Under) Budget	Total
Compensatory education				
Salaries	\$ 123,417	124,084	\$ 667	\$ 193,711
Employee benefits	43,838	43,816	(22)	57,711
Purchased services	-	7,342	7,342	12,516
Supplies	10,100	10,015	(85)	30,027
Other	11,983	249	(11,734)	7,904
Total compensatory education	189,338	185,506	(3,832)	301,869
Vocational education				
Salaries	65,654	65,654	-	62,248
Employee benefits	26,250	26,202	(48)	23,582
	300	300	-	-
Total vocational education	92,204	92,156	(48)	85,830
Adult continuing education				
Adult education - secondary				
Salaries	127,200	122,514	(4,686)	114,432
Employee benefits	25,851	25,283	(568)	24,771
Purchased services	500	636	136	6,065
Supplies	7,011	7,426	415	7,540
Other	850	1,391	541	467
Total adult education - secondary	161,412	157,250	(4,162)	153,275
Total Instruction	8,688,608	8,682,021	(6,587)	8,784,390
Supporting Services				
Pupil services				
Speech pathology				
Salaries	128,515	128,532	17	127,247
Employee benefits	53,300	53,290	(10)	51,402
Purchased services	-	-	-	18,857
Supplies	625	622	(3)	231
Total speech pathology	182,440	182,444	4	197,737
Guidance services				
Salaries	215,422	215,407	(15)	220,593
Employee benefits	97,920	97,936	16	93,310
Purchased services	36,100	32,109	(3,991)	18
Total guidance services	349,442	345,452	(3,990)	313,921

Portland Public Schools
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004		2003
	Final Budget	Actual	Over (Under) Budget Total
Instructional staff services			
Improvement of instruction			
Salaries	\$ -	4,813	\$ 4,813 900
Employee benefits	-	987	987 \$ 186
Purchased services	62,117	29,768	(32,349) 10,237
Supplies	34,916	38,011	3,095 93,019
Other	-	2,208	2,208 11,362
Total improvement of instruction	97,033	75,787	(21,246) 115,704
Library			
Salaries	92,489	90,963	(1,526) 96,234
Employee benefits	81,887	81,465	(422) 127,614
Purchased services	4,800	3,528	(1,272) 9,492
Supplies	12,150	11,184	(966) 9,623
Other	-	-	- 90
Total library	191,326	187,140	(4,186) 243,053
Other instructional staff services			
Salaries	97,679	97,123	(556) 59,431
Employee benefits	53,219	51,815	(1,404) 29,460
Purchased services	219,050	282,289	63,239 188,311
Supplies	33,800	33,295	(505) 9,961
Other	55,450	46,514	(8,936) 43,317
Total other instructional staff services	459,198	511,036	51,838 330,480
General administrative services			
Board of education			
Purchased services	42,600	40,346	(2,254) 48,641
Other	5,800	5,597	(203) 11,233
Total board of education	48,400	45,943	(2,457) 59,874

Portland Public Schools
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Final Budget	Actual	Over (Under) Budget	Total
Executive administration				
Salaries	\$ 133,096	\$ 133,772	\$ 676	\$ 158,160
Employee benefits	73,172	73,298	126	65,149
Purchased services	2,700	2,652	(48)	11,308
Other	1,700	1,701	1	2,853
Total executive administration	210,668	211,423	755	237,470
School administrative services				
Principal				
Salaries	562,495	554,932	(7,563)	558,288
Employee benefits	283,832	280,412	(3,420)	254,551
Purchased services	12,567	6,018	(6,549)	4,014
Supplies	4,100	3,887	(213)	4,376
Other	4,350	4,323	(27)	3,949
Total principal	867,344	849,572	(17,772)	825,178
Other school administration				
Salaries	105,311	104,986	(325)	92,528
Employee benefits	72,954	73,035	81	64,238
Purchased services	5,750	5,525	(225)	4,754
Supplies	2,300	2,261	(39)	406
Other	2,350	1,690	(660)	1,193
Total other school administration	188,665	187,497	(1,168)	163,119
Business services				
Fiscal services				
Salaries	120,190	122,714	2,524	120,598
Employee benefits	62,810	63,013	203	56,661
Purchased services	35,275	34,244	(1,031)	37,510
Supplies	2,200	2,145	(55)	3,205
Other	5,100	4,603	(497)	15,055
Total fiscal services	225,575	226,719	1,144	233,029
Other fiscal services				
Other	31,898	48,825	16,927	74,510

Portland Public Schools
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Final Budget	Actual	Over (Under) Budget	Total
Operations and maintenance				
Salaries	\$ 275,430	\$ 276,885	\$ 1,455	\$ 284,115
Employee benefits	154,385	154,100	(285)	163,407
Purchased services	453,750	443,990	(9,760)	429,895
Supplies	469,001	452,435	(16,566)	372,760
Other	2,415	2,343	(72)	3,960
Total operations and maintenance	1,354,981	1,329,753	(25,228)	1,254,137
Pupil transportation				
Salaries	557,330	547,454	(9,876)	544,608
Employee benefits	247,996	243,002	(4,994)	216,736
Purchased services	19,300	18,007	(1,293)	22,604
Supplies	182,200	175,215	(6,985)	152,342
Other	5,100	4,983	(117)	16,798
Total pupil transportation	1,011,926	988,661	(23,265)	953,088
Total Support Services	5,218,896	5,190,252	(28,644)	5,001,300
Capital Outlay				
Basic instruction	48,267	47,099	(1,168)	-
Added needs	-	-	-	-
Adult education	-	-	-	701
Pupil services	-	-	-	-
Instructional staff services	25,500	26,567	1,067	2,008
School administrative services	-	-	-	-
Operations and maintenance	200	-	(200)	6,928
Pupil transportation	140,907	140,907	-	19,375
Total Capital Outlay	214,874	214,573	(301)	29,012
Intergovernmental payments	320,048	320,048	-	316,299
Debt Service	115,840	115,792	(48)	142,232
Other Financing Uses				
Transfers to debt fund for:				
Redemption of principal	40,000	40,000	-	35,000
Interest on debt	7,188	7,188	-	9,200
Paying agent fees	-	-	-	250
Transfer to School Service Fund	391,209	390,421	(788)	315,032
Total Other Financing Uses	438,397	437,609	(788)	359,482
Total Expenditures and Other Financing Uses	\$ 14,996,663	\$ 14,960,295	\$ (36,368)	\$ 14,632,715

Portland Public Schools
Special Revenue Funds
Balance Sheet
June 30, 2004 with Comparative Totals for 2003

	2004				2003
	Community Service	Athletics	Food Service	Total	Total
Assets					
Accounts receivable	\$ -	\$ -	\$ 1,997	\$ 1,997	\$ 5,813
Due from other funds	2,413	2,455	-	4,868	4,834
Due from other governmental units	-	-	3,359	3,359	-
Inventory	-	-	7,223	7,223	6,798
Total Assets	\$ 2,413	\$ 2,455	\$ 12,579	\$ 17,447	\$ 17,445
Liabilities and Fund Balance					
Accounts payable	\$ -	\$ -	\$ 9,769	\$ 9,769	\$ 276
Due to other funds	-	-	2,810	2,810	12,408
Salaries payable	2,000	2,035	-	4,035	4,761
Accrued FICA and retirement	413	420	-	833	-
Total Liabilities	2,413	2,455	12,579	17,447	17,445
Fund Balance	-	-	-	-	-
Total Liabilities and Fund Balance	\$ 2,413	\$ 2,455	\$ 12,579	\$ 17,447	\$ 17,445

Portland Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004				2003
	Community Services	Athletics	Food Service	Total	Total
Revenues					
Lunches	-	-	\$ 394,599	\$ 394,599	\$ 357,476
Ala carte	-	-	3,754	3,754	7,499
Tuition	\$ 112,996	-	-	112,996	111,391
Athletic receipts	-	\$ 80,639	-	80,639	61,528
State sources	-	-	23,304	23,304	15,482
Federal sources	-	-	81,916	81,916	72,938
Federal sources - entitlement commodities	-	-	34,348	34,348	32,947
Federal sources - bonus commodities	-	-	3,672	3,672	2,746
Total revenues	112,996	80,639	541,593	735,228	662,007
Other Financing Sources					
Transfers from general fund	-	390,421	-	390,421	315,032
Total revenues and other financing sources	112,996	471,060	541,593	1,125,649	977,039
Expenditures					
Salaries	78,180	283,628	118,970	480,778	424,157
Employee benefits	20,857	74,515	43,734	139,106	129,700
Purchased services	25	41,130	116,744	157,899	92,397
Supplies and other	5,651	52,827	255,970	314,448	321,264
Capital outlay	-	18,960	4,632	23,592	9,521
Total expenditures	104,713	471,060	540,050	1,115,823	977,039
Other Financing Uses					
Transfers to general fund	8,283	-	1,543	9,826	-
Total expenditures and other financing uses	112,996	471,060	541,593	1,125,649	977,039
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	-
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Portland Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Community Service		Athletics		Food Service		Totals	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Lunches	-	-	-	-	\$ 395,000	\$ 394,599	\$ 395,000	\$ 394,599
Ala carte	-	-	-	-	3,750	3,754	3,750	3,754
Tuition	\$ 113,000	\$ 112,996	-	-	-	-	113,000	112,996
Athletic receipts	-	-	\$ 80,332	\$ 80,639	-	-	80,332	80,639
State sources	-	-	-	-	22,141	23,304	22,141	23,304
Federal sources	-	-	-	-	84,600	81,916	84,600	81,916
Federal sources - entitlement commodities	-	-	-	-	-	34,348	-	34,348
Federal sources - bonus commodities	-	-	-	-	-	3,672	-	3,672
Total revenues	113,000	112,996	80,332	80,639	505,491	541,593	698,823	735,228
Other Financing Sources								
Transfers from general fund	-	-	391,209	390,421	-	-	391,209	390,421
Total revenues and other financing sources	113,000	112,996	471,541	471,060	505,491	541,593	1,090,032	1,125,649
Expenditures								
Salaries	78,122	78,180	284,028	283,628	120,500	118,970	482,650	480,778
Employee benefits	21,311	20,857	74,488	74,515	45,800	43,734	141,599	139,106
Purchased services	50	25	41,150	41,130	119,850	116,744	161,050	157,899
Supplies and other	6,450	5,651	52,875	52,827	218,870	255,970	278,195	314,448
Capital outlay	-	-	19,000	18,960	-	4,632	19,000	23,592
Total expenditures	105,933	104,713	471,541	471,060	505,020	540,050	1,082,494	1,115,823
Other Financing Uses								
Transfers to general fund	7,067	8,283	-	-	471	1,543	7,538	9,826
Total expenditures and other financing uses	113,000	112,996	471,541	471,060	505,491	541,593	1,090,032	1,125,649
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	-	-	-	-
Fund Balance, July 1	-	-	-	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Portland Public Schools
Debt Service Funds
Combining Balance Sheet
June 30, 2004 with Comparative Totals for June 30, 2003

		2004				2003
		1997 Issue	2001 Issue	2002 Issue	Total	Total
Assets						
Cash		\$ 7,436	\$ 161,139	\$ 12,734	\$ 181,309	\$ 78,166
Accounts receivable		-	-	45	45	-
Total Assets		<u>\$ 7,436</u>	<u>\$ 161,139</u>	<u>\$ 12,779</u>	<u>\$ 181,354</u>	<u>\$ 78,166</u>
Liabilities and Fund Balance						
Fund Balance		<u>\$ 7,436</u>	<u>\$ 161,139</u>	<u>\$ 12,779</u>	<u>\$ 181,354</u>	<u>\$ 78,166</u>
Total Liabilities and Fund Balance		<u>\$ 7,436</u>	<u>\$ 161,139</u>	<u>\$ 12,779</u>	<u>\$ 181,354</u>	<u>\$ 78,166</u>

Portland Public Schools
Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004				2003
	1997 Issue	2001 Issue	2002 Issue	Total	Total
Revenues					
Local sources					
Property tax levy	\$ 142,736	\$ 1,505,211	\$ 259,564	\$ 1,907,511	\$ 1,786,815
Penalties and delinquent taxes	-	855	-	855	2,174
Earnings on investments	180	1,266	308	1,754	4,353
Total revenues	142,916	1,507,332	259,872	1,910,120	1,793,342
Other Financing Sources					
Loan proceeds	26,420	596,442	598,940	1,221,802	1,029,060
Transfers in	-	-	-	-	1,492
Total other financing sources	26,420	596,442	598,940	1,221,802	1,030,552
Total revenues and other financing sources	169,336	2,103,774	858,812	3,131,922	2,823,894
Expenditures					
Redemption of bonds	115,000	695,000	600,000	1,410,000	1,375,000
Interest on debt	67,078	1,301,975	248,318	1,617,371	1,718,443
Fees	300	250	813	1,363	300
Write offs and miscellaneous	-	-	-	-	2,545
Total expenditures	182,378	1,997,225	849,131	3,028,734	3,096,288
Other financing uses					
Transfers out	-	-	-	-	3,205
Total expenditures and other financing uses	182,378	1,997,225	849,131	3,028,734	3,099,493
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(13,042)	106,549	9,681	103,188	(275,599)
Fund Balance, July 1	20,478	54,590	3,098	78,166	353,765
Fund Balance, June 30	\$ 7,436	\$ 161,139	\$ 12,779	\$ 181,354	\$ 78,166

**Portland Public Schools
Capital Projects Funds
Combining Balance Sheet
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 1,279,059	\$ 13,156,656
Accounts receivable	3,600	-
Due from other funds	<u>82,072</u>	<u>-</u>
Total Assets	<u><u>\$ 1,364,731</u></u>	<u><u>\$ 13,156,656</u></u>
Liabilities and Fund Balance		
Accounts payable	\$ 607,701	\$ 2,031,586
Retainage payable	<u>675,484</u>	<u>-</u>
Total Liabilities	1,283,185	2,031,586
Fund Balance	<u>81,546</u>	<u>11,125,070</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,364,731</u></u>	<u><u>\$ 13,156,656</u></u>

Portland Public Schools
Capital Projects Funds
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Local sources		
Investment income	\$ 51,361	\$ 373,022
Total revenues	<u>51,361</u>	<u>373,022</u>
Expenditures		
Purchased services	164,252	2,225
Other	13,528	21,360
Capital outlay	<u>10,917,105</u>	<u>16,928,805</u>
Total expenditures	<u>11,094,885</u>	<u>16,952,390</u>
Other financing uses		
Loss on sale of investments	<u>-</u>	<u>54,616</u>
Total expenditures and other financing uses	<u>11,094,885</u>	<u>17,007,006</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	(11,043,524)	(16,633,984)
Fund Balance - July 1	<u>11,125,070</u>	<u>27,759,054</u>
Fund Balance - June 30	<u><u>\$ 81,546</u></u>	<u><u>\$ 11,125,070</u></u>

Portland Public Schools
Agency Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash	<u>\$ 121,931</u>	<u>\$ 140,665</u>
Liabilities		
Due to student groups	<u>\$ 121,931</u>	<u>\$ 140,665</u>

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2004

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Student activities				
Westwood:				
Westwood activity	\$ 14,479	\$ 81,630	\$ 92,437	\$ 3,672
Oakwood:				
Oakwood activity	21,903	53,207	59,817	15,293
Middle school:				
Art fees	84	-	-	84
Band	502	929	1,147	284
Careers	780	1,662	2,227	215
Categorical room	4	-	-	4
C.H.I.P.	2,378	1,326	3,167	537
Computer club	18	-	-	18
Dowling dance	1,640	2,016	3,239	417
Drug abuse	564	-	-	564
Foods class	181	615	697	99
Home economics	273	-	52	221
Interest/miscellaneous	-	669	598	71
Internal Bldg. (Maint.)	160	340	480	20
Language arts	200	-	-	200
Library	220	2,717	2,707	230
Math tutoring	91	12	-	103
Math-MI State (Keusch)	116	-	-	116
Revolving - all others	1,255	2,002	2,872	385
Scholarships	2,452	1,344	1,305	2,491
Ski club	298	-	-	298
Slush fund - Roesler	134	-	-	134
Social studies	21	-	1,500	(1,479)
Social studies - 8th	375	2,300	779	1,896
Student council	6,795	9,545	8,486	7,854
Student vending	226	-	-	226
Tech ed (Wood shop)	172	754	460	466
Thanksgiving	16	-	-	16
Trip - 6th grade	561	16,551	16,077	1,035
Trio - 8th grade	1,782	26,624	26,121	2,285
Wharton	852	5,597	5,354	1,095
Wharton 6th	5	-	399	(394)
Total carried forward	58,537	209,840	229,921	38,456

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2004

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Total brought forward	\$ 58,537	\$ 209,840	\$ 229,921	\$ 38,456
High school				
Advanced placement English	774	1,680	3,360	(906)
A.P. lab	240	-	-	240
Band	695	279	128	846
Broadcasting	1,725	-	-	1,725
Class of 1997	1,360	-	-	1,360
Class of 1998	257	-	-	257
Class of 1999	549	-	549	-
Class of 2000	409	-	-	409
Class of 2002	310	-	-	310
Class of 2003	1,260	-	197	1,063
Class of 2004	4,475	2,542	6,230	787
Class of 2005	2,280	11,258	10,742	2,796
Class of 2006	1,515	2,585	1,018	3,082
Class of 2007	-	6,693	4,907	1,786
Drama club	2,902	-	1,587	1,315
Europe 2002	1,702	994	-	2,696
Football Club	175	-	-	175
Football parents	6	-	-	6
French club	2,460	3,682	4,233	1,909
German	424	823	769	478
Hoffman	1,100	-	-	1,100
H.O.P.E.	524	-	-	524
Jazz dance	140	3,768	3,345	563
Key Club	-	1,168	200	968
Library copy	780	-	-	780
National Honor Society	1,533	10	931	612
Newspaper	136	3,432	2,843	725
Total carried forward	<u>86,268</u>	<u>248,754</u>	<u>270,960</u>	<u>64,062</u>

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2004

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Total brought forward	\$ 86,268	\$ 248,754	\$ 270,960	\$ 64,062
Physics trip	294	80	330	44
Portfolio	10,397	4,956	4,331	11,022
Project graduation	2,734	7,644	6,942	3,436
Raider's Nest	4,972	1,542	1,543	4,971
Replace cost fund	-	217	-	217
Revolving	3,455	4,801	3,444	4,812
SADD	(10)	-	-	(10)
Spanish club	2,672	1,626	2,819	1,479
Student council	(159)	13,360	12,762	439
Student services	1,613	1,911	2,810	714
Tech ed	129	-	-	129
Yearbook	5,656	7,918	7,904	5,670
High School Athletics:				
Athletic Internal	3,526	28,224	28,799	2,951
Athletic Training	50	-	-	50
Baseball	954	6,010	4,904	2,060
Boys Basketball	518	2,070	2,585	3
Boys Golf	462	157	-	619
Cheerleaders	961	3,303	4,530	(266)
Class of 2005	(850)	1,700	-	850
Cross Country	16	-	-	16
Cross Country Boys	185	1,479	402	1,262
Cross Country Girls	187	686	147	726
Football Club	1,435	18,017	18,919	533
Football Parents	-	-	6	(6)
Girls Basketball	2,096	5,528	4,595	3,029
Girls Golf	(95)	-	-	(95)
Soccer	890	1,616	1,234	1,272
Softball Club	6,380	14,320	16,760	3,940
Tennis Club	807	4,756	4,042	1,521
Track Boys	(20)	-	-	(20)
Track girls	396	4,023	4,177	242
Varisity Club	(481)	3,546	2,810	255
Volleyball	3,871	6,779	5,492	5,158
Wrestling Club	1,356	1,031	1,541	846
Totals	<u>\$ 140,665</u>	<u>\$ 396,054</u>	<u>\$ 414,788</u>	<u>\$ 121,931</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2004

Date of issue: February 12, 2002

Original amount of issue: \$ 6,700,000

Purpose of issue: School building and site refunding bonds. Refunding of August 18, 1992 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.500%	2004-05	115,159	115,159	615,000	845,318
3.500%	2005-06	104,396	104,396	615,000	823,792
4.000%	2006-07	93,634	93,634	615,000	802,268
4.250%	2007-08	81,334	81,334	615,000	777,668
4.500%	2008-09	68,265	68,265	615,000	751,530
4.100%	2009-10	54,427	54,427	615,000	723,854
4.200%	2010-11	41,820	41,820	615,000	698,640
5.000%	2011-12	28,905	28,905	615,000	672,810
4.400%	2012-13	13,530	13,530	615,000	642,060
		<u>\$ 601,470</u>	<u>\$ 601,470</u>	<u>\$ 5,535,000</u>	<u>\$ 6,737,940</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2004

Date of issue: July 1, 1996

Original amount of issue: \$ 330,000

Purpose of issue: Energy bonds for the purpose of providing energy conservation improvements to school facilities.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
5.75%	2004-05	2,444	2,444	40,000	44,888
5.75%	2005-06	1,294	1,294	45,000	47,588
		<u>\$ 3,738</u>	<u>\$ 3,738</u>	<u>\$ 85,000</u>	<u>\$ 92,476</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2004

Date of issue: December 1, 1997

Original amount of issue: \$ 1,865,000

Purpose of issue: School building and site refunding bonds. Partial refunding of
July 1, 1989 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
4.50%	2004-05	\$ 30,980	\$ 30,980	\$ 115,000	\$ 176,960
4.55%	2005-06	28,393	28,393	115,000	171,786
4.60%	2006-07	25,776	25,776	115,000	166,552
4.65%	2007-08	23,131	23,131	115,000	161,262
4.75%	2008-09	20,458	20,458	115,000	155,916
4.85%	2009-10	17,726	17,726	115,000	150,452
4.90%	2010-11	14,937	14,937	115,000	144,874
4.95%	2011-12	12,120	12,120	120,000	144,240
5.00%	2012-13	9,150	9,150	120,000	138,300
5.10%	2013-14	6,150	6,150	120,000	132,300
5.15%	2014-15	3,090	3,090	120,000	126,180
		<u>\$ 191,911</u>	<u>\$ 191,911</u>	<u>\$ 1,285,000</u>	<u>\$ 1,668,822</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2004

Date of issue: November 24, 1998

Original amount of issue: \$ 256,087

Purpose of issue: School Improvement (Durant Settlement)

Interest Rate	Fiscal Year	Annual Interest Payments May 15th	Annual Maturity May 15th	Total Fiscal Year Requirements
4.761353%	2004-05	\$ -	\$ -	\$ -
4.761353%	2005-06	5,588	12,395	17,983
4.761353%	2006-07	4,997	12,983	17,980
4.761353%	2007-08	4,380	13,604	17,984
4.761353%	2008-09	24,362	60,502	84,864
4.761353%	2009-10	3,053	14,930	17,983
4.761353%	2010-11	2,342	15,641	17,983
4.761353%	2011-12	1,597	16,385	17,982
4.761353%	2012-13	817	17,165	17,982
		<u>\$ 47,136</u>	<u>\$ 163,605</u>	<u>\$ 210,741</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2004

Date of issue: November 19, 2001

Original amount of issue: \$ 27,945,000

Purpose of issue: School building and site general obligation bonds.

November 19, 2001 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.00%	2004-05	\$ 640,563	\$ 640,563	\$ 695,000	\$ 1,976,126
4.00%	2005-06	630,137	630,137	695,000	1,955,274
4.00%	2006-07	616,238	616,238	695,000	1,927,476
4.00%	2007-08	602,337	602,337	695,000	1,899,674
4.00%	2008-09	588,438	588,438	695,000	1,871,876
4.00%	2009-10	574,537	574,537	695,000	1,844,074
4.00%	2010-11	560,638	560,638	695,000	1,816,276
5.50%	2011-12	546,737	546,737	790,000	1,883,474
5.50%	2012-13	525,013	525,013	880,000	1,930,026
5.50%	2013-14	500,812	500,812	1,080,000	2,081,624
5.50%	2014-15	471,113	471,113	1,180,000	2,122,226
5.50%	2015-16	438,662	438,662	1,200,000	2,077,324
5.50%	2016-17	405,663	405,663	1,200,000	2,011,326
5.50%	2017-18	372,662	372,662	1,200,000	1,945,324
5.50%	2018-19	339,663	339,663	1,215,000	1,894,326
5.00%	2019-20	306,250	306,250	1,225,000	1,837,500
5.00%	2020-21	275,625	275,625	1,225,000	1,776,250
5.00%	2021-22	245,000	245,000	1,225,000	1,715,000
5.00%	2022-23	214,375	214,375	1,225,000	1,653,750
5.00%	2023-24	183,750	183,750	1,225,000	1,592,500
5.00%	2024-25	153,125	153,125	1,225,000	1,531,250
5.00%	2025-26	122,500	122,500	1,225,000	1,470,000
5.00%	2026-27	91,875	91,875	1,225,000	1,408,750
5.00%	2027-28	61,250	61,250	1,225,000	1,347,500
5.00%	2028-29	30,625	30,625	1,225,000	1,286,250
		<u>\$ 9,497,588</u>	<u>\$ 9,497,588</u>	<u>\$ 25,860,000</u>	<u>\$ 44,855,176</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2004

Date of issue: August 15, 2000

Original amount of issue: \$ 101,468

Purpose of issue: To purchase two new buses

<u>Date</u>	<u>Original Amount</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
7/15/04		7/15/04	5.65%	\$ <u>1,558</u>	\$ <u>27,410</u>	\$ <u>28,968</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2004

Date of issues: July 15, 2000 & October 23, 2001

Original amount of issues: \$ 191,321

Purpose of issues: Bus contracts

<u>Date</u>	<u>Original Amount</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
10/23/01	\$ 89,955	10/23/04	4.99%	\$ 2,354	\$ 23,009	\$ 25,363
		10/23/05		<u>1,205</u>	<u>24,157</u>	<u>25,362</u>
				<u>\$ 3,559</u>	<u>\$ 47,166</u>	<u>\$ 50,725</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2004

Date of issue: April 18, 1996

Original amount of issue: \$ 255,000

Purpose of issue: To finance acquisition of bus garage

<u>Interest</u>	<u>Fiscal</u>	<u>Interest</u>	<u>Interest</u>	<u>Annual Maturity</u>	<u>Total Fiscal Year</u>
5.85%	2004-05	\$ 1,901	\$ 1,901	\$ 30,000	\$ 33,802
5.85%	2005-06	<u>1,024</u>	<u>1,024</u>	<u>35,000</u>	<u>37,048</u>
		<u>\$ 2,925</u>	<u>\$ 2,925</u>	<u>\$ 65,000</u>	<u>\$ 70,850</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2004

Date of issue: August 22, 2003

Original amount of issue: \$ 110,907

Purpose of issue: To finance the purchase of school buses

<u>Interest</u>	<u>Fiscal</u>	<u>Interest</u>	<u>Annual Maturity</u>	<u>Total Fiscal Year</u>
2.90%	2004-05	\$ 2,881	\$ 26,797	\$ 29,678
2.90%	2005-06	2,439	27,239	29,678
2.90%	2006-07	1,649	28,029	29,678
2.90%	2007-08	<u>836</u>	<u>28,842</u>	<u>29,678</u>
		<u>\$ 7,805</u>	<u>\$ 110,907</u>	<u>\$ 118,712</u>

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matter Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***

Members of the Board of Education
Portland Public Schools
Portland, Michigan

We have audited the financial statements of Portland Public Schools as of and for the year ended June 30, 2004, and have issued our report thereon dated July 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Portland Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Portland Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Education, management and related regulatory agencies and is not intended for and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

July 28, 2004



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

July 28, 2004

To the Board of Education
Portland Public Schools
Portland, Michigan

In planning and performing our audit of the general purpose financial statements of Portland Public Schools for the year ended June 30, 2004, we considered the District's internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated July 28, 2004 on the financial statements of Portland Public Schools.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

ATHLETIC RECEIPTS

Upon our review of the receipts system in the area of athletics, we noted that tickets were not being used at athletic events. It is our recommendation that the District implements a ticket log sheet and distributes tickets at all athletic events to strengthen internal controls. The tickets should be torn in half so that they cannot be reused. We also recommend preparing a reconciliation of tickets sold to money collected for each athletic event. A ticket log sheet and reconciliation will add as another checks and balances to the athletic receipt system.

We will review the status of these comments during our next audit engagement. We will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the District and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

By _____
Thomas E. Coulter, CPA

